

LIVINGSTON COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2018

LIVINGSTON COUNTY SCHOOL DISTRICT
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KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

MEMBER,
American Institute
of CPA's
♦
MEMBER,
Kentucky Society
of CPA's

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Livingston County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Submission Instructions*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefits other than pensions (OPEB) information on pages 4 through 8 and 50 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Livingston County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 12, 2018, on my consideration of the Livingston County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Livingston County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Livingston County School District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky
November 12, 2018

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

As management of the Livingston County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning general fund balance for the District was \$4,075,894 and the ending balance was \$4,095,428. This ending balance is higher than initially reported due to a late tax payment that was credited to the appropriate fiscal year.
- The District had a combined fund balance for all governmental funds on July 1, 2016 of \$3,939,297. The balance increased to \$4,406,610 by June 30, 2017 and increased to \$4,544,594 by June 30, 2018. The combined revenues for all governmental funds increased from FY 17 to FY 18 by \$553,254, however, when on behalf amounts are removed, revenues actually decreased by \$389,195 primarily from a decrease in state and federal funds received. Expenditures did not change significantly from FY 17 to FY 18. The net position (deficit) of the proprietary fund increased from \$(78,189) at July 1, 2016 to \$(36,193) by June 30, 2017 then decreased to \$(396,800) by June 30, 2018. The deficit net position in the proprietary fund was caused by the allocation of net pension and OPEB liabilities and related deferred inflows and deferred outflows to the food service fund in accordance with GASB 68 and 75. If those amounts were not required to be recorded in the food service fund, there would have been positive net position of \$301,320. The District began offering day care services during FY 17, which ended the year with a net position (deficit) of \$(104,701), then decreased to \$(208,731) by June 30, 2018. Of the total deficit, \$(121,758) was caused by the net pension liability and related deferred inflows and deferred outflows.
- Excluding on behalf amounts, the General Fund had \$8,910,947 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues in the general fund, when disregarding on behalf amounts, decreased from the prior year by about \$143,000. This included a decrease of general fund state revenue of approximately \$228,000, which was partially offset by an increase in local revenues of about \$85,000. Excluding interfund transfers and on behalf amounts, there was \$8,912,404 in General Fund expenditures. Expenditures in the general fund increased over the prior year by about \$424,000.
- Instruction, plant operations and maintenance, and student transportation accounted for 73.0% of General Fund expenditures.
- The District experienced a \$228,903 decrease in General Fund SEEK payments from the state in 2017-2018, as compared to 2016-2017.
- There were no significant changes in any of the individual funds affecting the availability of fund resources for future use.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities, deferred inflows, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds include our food service and day care operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,511,180 as of June 30, 2018. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

	Net Position for the period ending	
	June 30, 2018	June 30, 2017
Current Assets	\$ 5,058,765	\$ 4,926,258
Restricted Assets	673,268	532,389
Noncurrent Assets	<u>16,009,356</u>	<u>16,600,504</u>
Total Assets	<u>\$21,741,389</u>	<u>\$22,059,151</u>
Deferred Loss from Refunding Bonds	\$ 326,055	\$ 380,398
Deferred Outflows Related to Pensions	1,830,306	971,541
Deferred Outflows Related to OPEBs	<u>628,353</u>	<u>0</u>
Total Deferred Outflows of Resources	<u>\$ 2,784,714</u>	<u>\$ 1,351,939</u>
Current Liabilities	\$ 1,172,344	\$ 1,128,942
Noncurrent Liabilities	<u>18,259,372</u>	<u>13,002,532</u>
Total Liabilities	<u>\$19,431,716</u>	<u>\$14,131,474</u>
Deferred Inflows Related to Pensions	\$ 452,908	\$ 169
Deferred Inflows Related to OPEBs	<u>130,299</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>\$ 583,207</u>	<u>\$ 169</u>
Net Investment in capital assets	\$ 7,330,921	\$ 7,184,956
Restricted	465,515	665,646
Unrestricted	<u>(3,285,256)</u>	<u>1,428,845</u>
Total Net Position	<u>\$ 4,511,180</u>	<u>\$ 9,279,447</u>

Comments on Budget Comparisons

- There were no significant variations between the original and final budget amounts.
- The District’s total general fund revenues for the fiscal year ended June 30, 2018 were \$12,195,906.
- General fund budgeted revenues compared to actual revenue varied from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being \$1,366,928 more than budget, with most of the difference attributable to higher total local taxes than budgeted.
- The total cost of all general fund programs and services was \$12,197,363, net of interfund transfers.
- General fund budgeted expenditures (excluding contingency) compared to actual expenditures also varied from line item to line item with the actual expenditures (excluding on behalf expenditures, which are not budgeted) being \$2,266,868 less than budget. The largest differences from budgeted amounts were in the functions for instruction (\$212,509 more than budget), instructional staff support services (\$100,932 less than budget), district administration (\$355,734 less than budget), plant operations and maintenance (\$1,769,562 less than budget), and student transportation (\$201,771 less than budget).
- The Kentucky Department of Education makes certain payments on behalf of the District, including certain pension plan payments, health and life insurance premium payments, and administrative fees. These payments have been recorded on the Statement of Activities by functional expense and as operating grants from the State and totaled \$3,284,959. The revenue and related expense for these on behalf payments are not required to be budgeted.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2018, compared to the fiscal year ended June 30, 2017.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

	June 30, 2018	June 30, 2017
Program Revenues:		
Charges for Services – Food Service	\$ 61,861	\$ 76,217
Charges for Services – Day Care	37,176	16,651
Charges for Services – Governmental	251,826	178,040
Operating grants – Governmental	5,529,773	4,897,510
Operating grants – Food Service	849,217	853,023
Operating grants – Day Care	36,550	15,140
Capital grants	<u>639,736</u>	<u>633,865</u>
Total program revenues	<u>7,406,139</u>	<u>6,670,446</u>
General Revenues:		
Taxes	6,094,792	6,048,739
Earnings on investments	48,783	20,144
State and formula grants	2,989,667	3,218,570
Gain on disposal of fixed assets	42,401	0
Miscellaneous	<u>0</u>	<u>55</u>
Total general revenues	<u>9,175,643</u>	<u>9,287,508</u>
Total Revenues	<u>16,581,782</u>	<u>15,957,954</u>
Expenses:		
Instruction	8,537,269	7,845,429
Student support services	544,150	471,499
Instructional support	631,422	421,621
District administration	714,263	601,541
School administration	1,196,606	962,018
Business support	351,100	333,555
Plant operations	1,880,078	1,702,598
Student transportation	1,519,630	1,275,874
Community services	82,164	79,643
Interest on long-term debt	291,560	308,035
Food service operation	1,129,246	898,576
Day care operation	150,729	136,492
Loss on disposal of fixed assets	0	3,693
Other	<u>(1,456)</u>	<u>(1,456)</u>
Total expenses	<u>17,026,761</u>	<u>15,039,118</u>
Change in net position	(444,979)	918,836
Beginning net position	9,279,447	8,360,611
Prior period adjustment	<u>(4,323,288)</u>	<u>0</u>
Ending net position	<u>\$ 4,511,180</u>	<u>\$ 9,279,447</u>

General Fund

The main sources of the General Fund's revenues are state aid in the form of SEEK allocations and locally assessed taxes. Total state revenue accounted for 51.7% of General Fund revenues, followed by local taxes at 46.0%, and all other revenues at 2.3%. The majority of the District's activities are accounted for in the General Fund.

The largest category of General Fund expenditures was for instruction (52.6%), followed by student transportation (10.3%), plant operations and maintenance (10.2%), school administration services (9.3%), district administration services (5.6%), instructional staff support services (5.0%), student support services (4.4%), and business support services (2.6%).

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

Special Revenue Fund

The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state and expenditures of those grants for specific programs in accordance with the grants’ guidelines. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding, and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, and transportation. Livingston County Public Schools received federal grants in the amount of \$1,275,089 and state grants in the amount of \$719,843.

Capital Project Funds

The SEEK Capital Outlay Fund and the FSPK Building Fund are restricted funds for capital projects or debt service. The District has used those funds for debt service payments. The state contributes to those funds. The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent special property tax assessment. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

Debt Service Funds

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the District had \$16,009,356 invested in land, buildings, and equipment. Of that amount, \$15,957,968 is in governmental activities.

See Note E for a breakdown of additions by class on page 29.

Debt Administration

The District had \$9,010,000 in bonds payable outstanding on June 30, 2018. A total of \$805,000 is due within one year.

See Note F on pages 30-31 for a detailed list of bonds payable.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The district adopted a total budget of \$12,446,912 in the General Fund and Food Service Fund combined and a contingency of \$436,450 which is 3.5%. The beginning fund balance for the fiscal year was \$4,075,894.

Questions regarding this report should be directed to the Superintendent Victor Zimmerman, PO Box 219, 127 East Adair Street, Smithland, KY 42081.

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 3,609,372	\$ 143,783	\$ 3,753,155
Accounts receivable:			
Taxes - current	869,410	0	869,410
Taxes - delinquent	11,639	0	11,639
Accounts receivable	60,560	3,428	63,988
Due from school activity funds	2,543	0	2,543
Intergovernmental - state	18,750	180	18,930
Intergovernmental - indirect federal	274,237	9,194	283,431
Inventory	0	15,983	15,983
Prepaid expenses	39,686	0	39,686
Total current assets	<u>4,886,197</u>	<u>172,568</u>	<u>5,058,765</u>
Restricted Assets:			
Cash in bond sinking fund	673,268	0	673,268
Total restricted assets	<u>673,268</u>	<u>0</u>	<u>673,268</u>
Noncurrent Assets:			
Capital assets	27,414,277	448,464	27,862,741
Less: Accumulated depreciation	(11,456,309)	(397,076)	(11,853,385)
Total noncurrent assets	<u>15,957,968</u>	<u>51,388</u>	<u>16,009,356</u>
TOTAL ASSETS	<u>\$ 21,517,433</u>	<u>\$ 223,956</u>	<u>\$ 21,741,389</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss from refunding bonds	\$ 706,741	\$ 0	\$ 706,741
Less: Accumulated amortization	(380,686)	0	(380,686)
Deferred pension related outflows	1,520,215	310,091	1,830,306
Deferred OPEB related outflows	548,985	79,368	628,353
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,395,255</u>	<u>\$ 389,459</u>	<u>\$ 2,784,714</u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 135,245	\$ 2,003	\$ 137,248
Advances from grantors	184,577	0	184,577
Current portion of bond obligations	805,000	0	805,000
Plus: Current portion of bond premium	5,619	0	5,619
Less: Current portion of unamortized bond discount	(4,163)	0	(4,163)
Current portion of accrued sick leave	21,781	0	21,781
Interest payable	22,282	0	22,282
Total current liabilities	<u>1,170,341</u>	<u>2,003</u>	<u>1,172,344</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	8,205,000	0	8,205,000
Plus: Noncurrent portion of unamortized bond premium	28,093	0	28,093
Less: Noncurrent portion of unamortized bond discount	(35,059)	0	(35,059)
Noncurrent portion of accrued sick leave	168,838	7,606	176,444
Net pension liability	4,078,478	831,920	4,910,398
Net OPEB liability	4,688,770	285,726	4,974,496
Total noncurrent liabilities	<u>17,134,120</u>	<u>1,125,252</u>	<u>18,259,372</u>
TOTAL LIABILITIES	<u>\$ 18,304,461</u>	<u>1,127,255</u>	<u>\$ 19,431,716</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension related inflows	\$ 376,176	\$ 76,732	\$ 452,908
Deferred OPEB related inflows	115,340	14,959	130,299
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 491,516</u>	<u>\$ 91,691</u>	<u>\$ 583,207</u>
NET POSITION:			
Net Investment in capital assets	\$ 7,279,533	\$ 51,388	\$ 7,330,921
Restricted for:			
SFCC Escrow	209,478	0	209,478
Capital Projects	122,244	0	122,244
Debt service	673,795	0	673,795
Other	116,917	0	116,917
Food service	0	(448,188)	(448,188)
Day care services	0	(208,731)	(208,731)
Unrestricted	(3,285,256)	0	(3,285,256)
TOTAL NET POSITION	<u>\$ 5,116,711</u>	<u>\$ (605,531)</u>	<u>\$ 4,511,180</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Net (Expense) Revenue and						
	Expenses	Program Revenues			Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 8,537,269	\$ 251,826	\$ 3,904,712	\$ 639,736	\$ (3,740,995)	\$ 0	\$ (3,740,995)
Support Services:							
Student	544,150	0	141,132	0	(403,018)	0	(403,018)
Instructional Staff	631,422	0	142,418	0	(489,004)	0	(489,004)
District Administration	714,263	0	105,963	0	(608,300)	0	(608,300)
School Administration	1,196,606	0	327,937	0	(868,669)	0	(868,669)
Business	351,100	0	115,911	0	(235,189)	0	(235,189)
Plant operations and maintenance	1,880,078	0	133,039	0	(1,747,039)	0	(1,747,039)
Student transportation	1,519,630	0	418,397	0	(1,101,233)	0	(1,101,233)
Community service activities	82,164	0	76,522	0	(5,642)	0	(5,642)
Interest on long-term debt	291,560	0	163,742	0	(127,818)	0	(127,818)
Other debt service	(1,456)	0	0	0	1,456	0	1,456
Total governmental activities	15,746,786	251,826	5,529,773	639,736	(9,325,451)	0	(9,325,451)
Business-Type Activities:							
Food service	1,129,246	61,861	849,217	0	0	(218,168)	(218,168)
Day care	150,729	37,176	36,550	0	0	(77,003)	(77,003)
Total business-type activities	1,279,975	99,037	885,767	0	0	(295,171)	(295,171)
Total primary government	\$ 17,026,761	\$ 350,863	\$ 6,415,540	\$ 639,736	(9,325,451)	(295,171)	(9,620,622)
General Revenues:							
Taxes:							
Property					3,529,560	0	3,529,560
Motor Vehicle					768,794	0	768,794
Utilities					644,980	0	644,980
In Lieu of					1,151,458	0	1,151,458
Earnings on Investments					47,661	1,122	48,783
State and formula grants					2,989,667	0	2,989,667
Gain on disposal of fixed assets					42,401	0	42,401
Change in net position					(150,930)	(294,049)	(444,979)
Net position at July 1, 2017					9,420,341	(140,894)	9,279,447
Prior period adjustment - Note O					(4,152,700)	(170,588)	(4,323,288)
Net position at June 30, 2018					\$ 5,116,711	\$ (605,531)	\$ 4,511,180

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 3,160,206	\$ 0	\$ 449,166	\$ 3,609,372
Accounts receivable:				
Taxes - current	869,410	0	0	869,410
Taxes - delinquent	11,639	0	0	11,639
Accounts receivable	60,560	0	0	60,560
Interfund receivable	84,877	0	0	84,877
Due from school activity funds	2,543	0	0	2,543
Intergovernmental - state	0	18,750		18,750
Intergovernmental - indirect federal	3,978	270,259	0	274,237
Prepaid expenses	39,686	0	0	39,686
TOTAL ASSETS AND RESOURCES	<u><u>\$ 4,232,899</u></u>	<u><u>\$ 289,009</u></u>	<u><u>\$ 449,166</u></u>	<u><u>\$ 4,971,074</u></u>
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 115,690	\$ 19,555	\$ 0	\$ 135,245
Interfund payable	0	84,877	0	84,877
Advances from grantors	0	184,577	0	184,577
Current portion of accrued sick leave	21,781	0	0	21,781
TOTAL LIABILITIES	<u>137,471</u>	<u>289,009</u>	<u>0</u>	<u>426,480</u>
FUND BALANCES:				
Nonspendable:				
Prepaid expenses	39,686	0	0	39,686
Restricted:				
KSFCC escrow	0	0	209,478	209,478
Construction projects	0	0	122,244	122,244
Debt service	0	0	527	527
Other	0	0	116,917	116,917
Unassigned	4,055,742	0	0	4,055,742
TOTAL FUND BALANCES	<u>4,095,428</u>	<u>0</u>	<u>449,166</u>	<u>4,544,594</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,232,899</u></u>	<u><u>\$ 289,009</u></u>	<u><u>\$ 449,166</u></u>	<u><u>\$ 4,971,074</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
 FUNDS TO THE STATEMENT OF NET POSITION**
 June 30, 2018

Total fund balance per fund financial statements		\$ 4,544,594
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	\$ 27,414,277	
Accumulated depreciation	<u>(11,456,309)</u>	15,957,968
Certain long-term assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.		
Cash in bond sinking fund		673,268
Deferred outflows that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet		
Deferred loss from refunding bonds	326,055	
Deferred pension related outflows	1,520,215	
Deferred OPEB related outflows	<u>548,985</u>	2,395,255
Deferred inflows that are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Deferred pension related inflows	(376,176)	
Deferred OPEB related inflows	<u>(115,340)</u>	(491,516)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Interest payable		(22,282)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond and lease obligations	(9,004,490)	
Net pension liability	(4,078,478)	
Net OPEB liability	(4,688,770)	
Accrued sick leave payable	<u>(168,838)</u>	<u>(17,940,576)</u>
Net position of governmental activities		<u><u>\$ 5,116,711</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 3,060,395	\$ 0	\$ 469,165	\$ 3,529,560
Motor Vehicle	768,794	0	0	768,794
Utilities	644,980	0	0	644,980
In Lieu of	1,133,917	0	0	1,133,917
Tuition	17,481	0	0	17,481
Earnings on Investments	32,287	397	1,606	34,290
Other local revenues	203,927	74,203	0	278,130
Intergovernmental - State	6,303,707	719,843	699,523	7,723,073
Intergovernmental - indirect federal	30,418	1,275,089	0	1,305,507
Intergovernmental - direct federal	0	0	103,955	103,955
TOTAL REVENUES	12,195,906	2,069,532	1,274,249	15,539,687
EXPENDITURES:				
Current:				
Instruction	6,418,190	1,864,102	0	8,282,292
Support Services:				
Student	535,725	0	0	535,725
Instructional Staff	611,207	0	0	611,207
District Administration	682,639	0	0	682,639
School Administration	1,139,814	0	0	1,139,814
Business	320,083	0	0	320,083
Plant operations and maintenance	1,240,274	0	0	1,240,274
Student transportation	1,249,431	151,034	0	1,400,465
Community service activities	0	76,522	0	76,522
Debt service	0	0	1,155,799	1,155,799
TOTAL EXPENDITURES	12,197,363	2,091,658	1,155,799	15,444,820
Excess (deficiency) of revenues over expenditures	(1,457)	(22,126)	118,450	94,867
OTHER FINANCING SOURCES (USES):				
Sale or compensation for loss of assets	43,117	0	0	43,117
Operating transfers in	0	22,126	561,561	583,687
Operating transfers out	(22,126)	0	(561,561)	(583,687)
TOTAL OTHER FINANCING SOURCES (USES)	20,991	22,126	0	43,117
Net change in fund balance	19,534	0	118,450	137,984
Fund Balance, July 1, 2017	4,075,894	0	330,716	4,406,610
Fund Balance, June 30, 2018	\$ 4,095,428	\$ 0	\$ 449,166	\$ 4,544,594

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Net change in total governmental fund balances per fund financial statements		\$ 137,984
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense is exceeded by capital outlays for the year.

Depreciation expense	(820,200)	
Capital outlays	234,945	(585,255)

Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.

Gross proceeds from the sale of fixed assets	(43,117)	
Gain on the disposal of fixed assets	42,401	(716)

Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond principal paid	790,000	
Bond sinking fund payment	127,111	917,111

Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.

Amortization of bond discounts	(4,162)	
Amortization of bond premium	5,618	
Amortization of deferred loss on early retirement of debt	(54,343)	(52,887)

Generally, revenue is recognized in this fund financial statement when it becomes both measurable and available to finance expenditures of the current period.

Interest earned on bond sinking fund		13,768
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Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

These net differences are as follows:

Interest payable	1,471	
Pension expense	(568,756)	
Accrued sick leave	(13,650)	(580,935)

Change in net position of governmental activities		\$ (150,930)
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See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Food Service Fund	Day Care Fund	Total
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 79,080	\$ 64,703	\$ 143,783
Accounts receivable:			
Accounts	660	2,768	3,428
Due from other funds	154,587	0	154,587
Intergovernmental - state	0	180	180
Intergovernmental - indirect federal	8,570	624	9,194
Inventory	15,983	0	15,983
Total current assets	<u>258,880</u>	<u>68,275</u>	<u>327,155</u>
Noncurrent Assets			
Capital assets	448,464	0	448,464
Less: accumulated depreciation	(397,076)	0	(397,076)
Total noncurrent assets	<u>51,388</u>	<u>0</u>	<u>51,388</u>
TOTAL ASSETS	<u><u>\$ 310,268</u></u>	<u><u>\$ 68,275</u></u>	<u><u>\$ 378,543</u></u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred pension related outflows	\$ 264,041	\$ 46,050	310,091
Deferred OPEB related outflows	67,582	11,786	79,368
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 331,623</u></u>	<u><u>\$ 57,836</u></u>	<u><u>\$ 389,459</u></u>
LIABILITIES:			
Current Liabilities			
Accounts payable	\$ 1,342	\$ 661	\$ 2,003
Due to other funds	0	154,587	154,587
Total current liabilities	<u>1,342</u>	<u>155,248</u>	<u>156,590</u>
Noncurrent Liabilities			
Noncurrent portion of accrued sick leave	7,606	0	7,606
Net pension liability	708,374	123,546	831,920
Net OPEB liability	243,294	42,432	285,726
Total noncurrent liabilities	<u>959,274</u>	<u>165,978</u>	<u>1,125,252</u>
TOTAL LIABILITIES	<u><u>\$ 960,616</u></u>	<u><u>\$ 321,226</u></u>	<u><u>\$ 1,281,842</u></u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension related inflows	\$ 65,337	\$ 11,395	\$ 76,732
Deferred OPEB related inflows	12,738	2,221	14,959
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 78,075</u></u>	<u><u>\$ 13,616</u></u>	<u><u>\$ 91,691</u></u>
Net Position			
Net investment in capital assets	\$ 51,388	\$ 0	\$ 51,388
Unrestricted (deficit)	(448,188)	(208,731)	(656,919)
TOTAL NET POSITION	<u><u>\$ (396,800)</u></u>	<u><u>\$ (208,731)</u></u>	<u><u>\$ (605,531)</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Food Service Fund	Day Care Fund	Total
Operating Revenues:			
Lunchroom sales	\$ 59,972	\$ 0	\$ 59,972
Day care fees	0	37,033	37,033
Other operating revenues	1,889	143	2,032
Total operating revenues	<u>61,861</u>	<u>37,176</u>	<u>99,037</u>
Operating Expenses:			
Salaries and benefits	675,579	135,354	810,933
Contract services	26,358	1,382	27,740
Materials and supplies	407,905	13,993	421,898
Depreciation	7,767	0	7,767
Expendable equipment	7,644	0	7,644
Other operating expenses	3,993	0	3,993
Total operating expenses	<u>1,129,246</u>	<u>150,729</u>	<u>1,279,975</u>
Operating income (loss)	<u>(1,067,385)</u>	<u>(113,553)</u>	<u>(1,180,938)</u>
Non-Operating Revenues (Expenses):			
Federal grants	741,569	8,021	749,590
Donated commodities	39,912	0	39,912
State grants	67,736	28,529	96,265
Interest income	1,122	0	1,122
Total non-operating revenues	<u>850,339</u>	<u>36,550</u>	<u>886,889</u>
Change in net position	(217,046)	(77,003)	(294,049)
Net Position, July 1, 2017	(36,193)	(104,701)	(140,894)
Prior Period Adjustment - Note O	<u>(143,561)</u>	<u>(27,027)</u>	<u>(170,588)</u>
Net Position, June 30, 2018	<u><u>\$ (396,800)</u></u>	<u><u>\$ (208,731)</u></u>	<u><u>\$ (605,531)</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Food Service Fund	Day Care Fund	Total
Cash Flows from Operating Activities:			
Cash received from:			
Lunchroom sales	\$ 59,972	\$ 0	\$ 59,972
Day care fees	0	34,537	34,537
Other operating revenues	1,229	143	1,372
Cash paid to/for:			
Employees	(393,482)	(89,977)	(483,459)
Contract services	(27,625)	(1,392)	(29,017)
Materials and supplies	(371,456)	(13,332)	(384,788)
Expendable equipment	(7,644)	0	(7,644)
Other operating expenses	(4,043)	0	(4,043)
Net cash provided by (used in) operating activities	<u>(743,049)</u>	<u>(70,021)</u>	<u>(813,070)</u>
Cash Flows from Non-Capital Financing Activities:			
Operating grants received	748,428	23,497	771,925
Interfund loans	(95,180)	95,180	0
Net cash provided by (used in) non-capital financing activities	<u>653,248</u>	<u>118,677</u>	<u>771,925</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(2,590)	0	(2,590)
Net cash provided by (used in) capital and related financing activities	<u>(2,590)</u>	<u>0</u>	<u>(2,590)</u>
Cash Flows from Investing Activities:			
Interest income received	1,122	0	1,122
Net cash provided by (used in) investing activities	<u>1,122</u>	<u>0</u>	<u>1,122</u>
Net increase (decrease) in cash and cash equivalents	(91,269)	48,656	(42,613)
Cash and cash equivalents, July 1, 2017	<u>170,349</u>	<u>16,047</u>	<u>186,396</u>
Cash and cash equivalents, June 30, 2018	<u><u>\$ 79,080</u></u>	<u><u>\$ 64,703</u></u>	<u><u>\$ 143,783</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (1,067,385)	\$ (113,553)	\$ (1,180,938)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	7,767	0	7,767
On-behalf payments	60,118	13,834	73,952
Commodities used	39,912	0	39,912
Changes in assets and liabilities:			
Accounts receivable	(660)	(2,496)	(3,156)
Inventory	(2,336)	0	(2,336)
Deferred outflows of resources	(217,884)	(36,424)	(254,308)
Accounts payable	(2,444)	651	(1,793)
Accrued sick leave	3,051	0	3,051
Net pension liability	259,024	38,950	297,974
Net OPEB liability	99,733	15,405	115,138
Deferred inflows of resources	78,055	13,612	91,667
Net cash provided by (used in) operating activities	<u><u>\$ (743,049)</u></u>	<u><u>\$ (70,021)</u></u>	<u><u>\$ (813,070)</u></u>
Non-Cash Investing, Capital, and Financing Activities:			
Food commodities received	\$ 39,912	\$ 0	\$ 39,912
On-behalf payments	60,118	13,834	73,952
Total Non-Cash Investing, Capital, and Financing Activities	<u><u>\$ 100,030</u></u>	<u><u>\$ 13,834</u></u>	<u><u>\$ 113,864</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 144,317	\$ 155,520
Accounts receivable	<u>0</u>	<u>281</u>
Total Assets	<u><u>\$ 144,317</u></u>	<u><u>\$ 155,801</u></u>
 LIABILITIES:		
Accounts payable	\$ 0	\$ 8,192
Due to Board General Fund	0	2,543
Due to student groups	<u>0</u>	<u>145,066</u>
Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 155,801</u></u>
 NET POSITION HELD IN TRUST	<u><u>\$ 144,317</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2018

	Private Purpose Trust Funds
	<u> </u>
Additions:	
Interest income	\$ 1,404
	<u> </u>
Total Additions	<u> 1,404 </u>
Deductions:	
Benefits paid	<u> 1,635 </u>
	<u> </u>
Total Deductions	<u> 1,635 </u>
Change in net position	(231)
Net position, July 1, 2017	<u> 144,548 </u>
Net position, June 30, 2018	<u><u> \$ 144,317 </u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2018

NOTE A – REPORTING ENTITY

The Livingston County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Livingston County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Livingston County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Livingston County School District Finance Corporation – In 1989, the Livingston County Board of Education resolved to authorize the establishment of the Livingston County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The board members of the Livingston County Board of Education also comprise the Corporation's Board of Directors.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal and private grants where unused balances are returned to the grantor at the close of the specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 70. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$39,912 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.
- (B) The Day Care Fund (Enterprise) is used to account for day care activities. The Day Care Fund is a major fund of the District.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Accounting Procedures for Kentucky School Activity Funds (Redbook).
- (B) The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2018, to finance operations were \$.444 per \$100 valuation for real property, \$.455 per \$100 valuation for business personal property and \$.455 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2018 consisted of workers' compensation and fidelity bonds paid during the fiscal year ended June 30, 2018 that included coverage for periods beyond June 30, 2018.

Debt Costs

Unamortized discounts of \$39,222 and unamortized premiums of \$33,712 are included in the government-wide statements. Discounts and premiums are amortized over the lives of the related debt issues using the straight-line method.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July, 2012 meeting, the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property. Larger thresholds apply to buildings and building improvements and leasehold improvements. Improvements to land and to buildings in excess of established thresholds are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and day care fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Pensions and Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension expense, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investment and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2018.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 12, 2018, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, deferred outflows, liabilities, deferred inflows, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year-end, the carrying amount of the District's cash and cash equivalents was \$4,726,260. The bank balance was \$4,926,703. Of the bank balance, \$934,202 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$3,992,501 was uninsured and collateralized with securities held by the pledging banks' agent, in the District's name.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

Note E - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

Governmental Activities	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Capital Assets:				
Land	\$ 263,559	\$ 0	\$ 0	\$ 263,559
Land improvements	783,478	0	0	783,478
Buildings and improvements	22,545,939	0	0	22,545,939
Technology equipment	855,670	53,867	5,564	903,973
Vehicles	2,391,992	165,260	151,629	2,405,623
General Equipment	507,054	15,818	11,167	511,705
Totals at historical cost	<u>27,347,692</u>	<u>234,945</u>	<u>168,360</u>	<u>27,414,277</u>
Less: Accumulated depreciation				
Land improvements	577,115	23,050	0	600,165
Buildings and improvements	7,510,118	560,160	0	8,070,278
Technology equipment	539,023	100,399	5,455	633,967
Vehicles	1,792,838	114,211	151,629	1,755,420
General Equipment	384,659	22,380	10,560	396,479
Total accumulated depreciation	<u>10,803,753</u>	<u>820,200</u>	<u>167,644</u>	<u>11,456,309</u>
Governmental Activities Capital Assets - Net	<u>\$ 16,543,939</u>	<u>\$ (585,255)</u>	<u>\$ 716</u>	<u>\$ 15,957,968</u>
Business-Type Activities				
Capital Assets:				
Technology equipment	\$ 4,048	\$ 2,590	\$ 0	\$ 6,638
General Equipment	441,826	0	0	441,826
Totals at historical cost	<u>445,874</u>	<u>2,590</u>	<u>0</u>	<u>448,464</u>
Less: Accumulated depreciation				
Technology equipment	4,001	436	0	4,437
General Equipment	385,308	7,331	0	392,639
Total accumulated depreciation	<u>389,309</u>	<u>7,767</u>	<u>0</u>	<u>397,076</u>
Business-Type Activities Capital Assets - Net	<u>\$ 56,565</u>	<u>\$ (5,177)</u>	<u>\$ 0</u>	<u>\$ 51,388</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 101,673
Student support services	5,237
Instructional staff support services	1,135
District administration	12,309
School administrative support	6,499
Business support	3,175
Plant operation and maintenance	587,334
Student transportation	102,569
Community services	269
Total depreciation expense	<u>\$ 820,200</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE F – GENERAL LONG-TERM OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Livingston County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Livingston County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

Following is a schedule of obligations existing at June 30, 2018:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
June 1, 2009	June 1, 2019	2.000% - 3.000%	\$ 130,000
February 1, 2012	June 1, 2024	1.000% - 2.500%	4,190,000
December 11, 2012	December 1, 2032	3.500%	3,180,000
September 1, 2014	September 1, 2034	1.000%	1,510,000
			<u>\$ 9,010,000</u>

In 1987 the District entered into a "participation agreement" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, the liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

In February, 2012, the District issued bonds to advance refund a portion of the outstanding 2003 School Building Revenue bonds that were scheduled to mature on or after June 1, 2013 and a portion of the outstanding 2004 School Building Revenue bonds that were scheduled to mature on or after June 1, 2014. The defeased bonds were paid during a prior year. In the Statement of Net Position, the net costs associated with the early retirement of the issues are deferred and amortized over the lesser of the original remaining life of the old bonds or the life of the new bonds, which is thirteen years for the portion relating to the 2003 issue and twelve years for the portion relating to the 2004 issue. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$706,741. Amortization for the year was \$54,343 and is included as a component of interest expense.

On December 11, 2012, the District issued \$3,180,000 in Qualified Zone Academy Bonds which are tax credit bonds pursuant to Section 54 of the Internal Revenue Code, to finance capital projects at Livingston Central High School. The District and the Kentucky School Facility Construction Commission are required to make semi-annual sinking fund payments to be held in escrow at US Bank. Payments of \$127,111 were made in fiscal year 2018. The fair market value of this account at June 30, 2018 was \$673,268 which is equal to cost. Such payments will be held in trust and invested at an interest rate of 2.297% in accordance with the funding agreement. The final semi-annual payment is due December 1, 2032, at which time the bond will mature and the principal will be paid in full from the escrow account. The District is scheduled to receive a direct subsidy from the federal government on each interest payment date for its interest costs, although federal budget cuts have and could reduce interest payment received. The interest subsidy payments are included in interest expense on the financial statements. These payments are disclosed on the following page.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE F – GENERAL LONG-TERM OBLIGATIONS – CONTINUED

In September, 2014, the District issued \$1,600,000 in taxable Qualified Zone Academy bonds to finance capital projects at Livingston County Middle School. The District and the Kentucky School Facility Construction Commission are required to make semi-annual payments of principal and interest, with the final payment due September 1, 2034.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2018 for debt service (principal and interest) are as follows:

Year	Livingston County School District			Kentucky School Facility Construction Commission		
	Principal	Interest	Federal Subsidy	Principal	Interest	Total
2018-2019	\$ 369,863	\$ 159,898	\$ (111,300)	\$ 435,137	\$ 62,039	\$ 915,637
2019-2020	386,455	151,206	(111,300)	443,545	53,631	923,537
2020-2021	402,882	143,454	(111,300)	452,118	45,058	932,212
2021-2022	408,087	134,451	(111,300)	461,913	35,262	928,413
2022-2023	203,073	125,326	(111,300)	471,927	25,249	714,275
2023-2024	68,850	120,485	(111,300)	481,150	15,015	574,200
2024-2025	68,536	119,799	(111,300)	31,464	3,452	111,951
2025-2026	73,220	119,090	(111,300)	31,780	3,135	115,925
2026-2027	72,901	118,359	(111,300)	32,099	2,816	114,875
2027-2028	72,578	117,632	(111,300)	32,422	2,493	113,825
2028-2029	72,252	116,908	(111,300)	32,748	2,168	112,776
2029-2030	76,923	116,162	(111,300)	33,077	1,838	116,700
2030-2031	76,591	115,394	(111,300)	33,409	1,506	115,600
2031-2032	76,255	114,630	(111,300)	33,745	1,170	114,500
2032-2033	830,114	58,194	(55,650)	2,464,886	831	3,298,375
2033-2034	105,573	1,612	0	34,427	488	142,100
2034-2035	108,376	542	0	31,624	158	140,700
	<u>\$ 3,472,529</u>	<u>\$ 1,833,142</u>	<u>\$ (1,613,850)</u>	<u>\$ 5,537,471</u>	<u>\$ 256,309</u>	<u>\$ 9,485,601</u>

Interest expense for fiscal year ended June 30, 2018 was \$291,560 including \$103,954 in federal subsidy payments on the 2012 Qualified Zone Academy Bonds.

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Governmental:					
Bonds payable	\$ 9,800,000	\$ 0	\$ 790,000	\$ 9,010,000	\$ 805,000
Less: Unamortized discounts	(43,384)	0	(4,162)	(39,222)	(4,163)
Unamortized premiums	39,330	0	5,618	33,712	5,619
Sick leave	155,188	115,264	79,833	190,619	21,781
Net pension liability	3,304,353	774,125	0	4,078,478	0
Net OPEB liability	4,393,817	294,953	0	4,688,770	0
Totals	<u>\$ 17,649,304</u>	<u>\$ 1,184,342</u>	<u>\$ 871,289</u>	<u>\$ 17,962,357</u>	<u>\$ 828,237</u>
Business-Type:					
Sick leave	\$ 4,555	\$ 7,606	\$ 4,555	\$ 7,606	\$ 0
Net pension liability	533,946	297,974	0	831,920	0
Net OPEB liability	184,020	101,706	0	285,726	0
Totals	<u>\$ 722,521</u>	<u>\$ 407,286</u>	<u>\$ 4,555</u>	<u>\$ 1,125,252</u>	<u>\$ 0</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

County Employees Retirement System Pension and Insurance Funds

Plan Descriptions and Benefits Provided - Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems (KRS), an agency of the Commonwealth of Kentucky. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. CERS provides retirement, disability benefits, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living (COLA) adjustments are provided at the discretion of the State legislature. Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The CERS also provides other post-employment benefits through the Kentucky Retirement Systems Insurance Fund (Insurance Fund), which was established to provide hospital and medical insurance for members receiving benefits from CERS. The insurance fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Kentucky Retirement Systems. The insurance fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The amount of contribution paid by the insurance fund is based upon years of service. All participants enrolled in CERS are automatically enrolled in both the insurance fund and the pension fund. Information regarding the Insurance Fund is contained in the financial statements of the Kentucky Retirement Systems.

The Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing or calling the plan.

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601-6124
(502) 564-4646

Contributions – Contribution rates are established by the Kentucky Revised Statutes. Non-hazardous plan members who began participating prior to September 1, 2008 are required to contribute 5% of their annual creditable compensation. Plan members who began participating on or after September 1, 2008 are required to contribute an additional 1% for retirement health insurance coverage. Plan members who began participating on or after January 1, 2014 are required to contribute to the Cash Balance Plan which is a hybrid plan with characteristics of both a defined benefit plan and a defined contribution plan. Members in the Cash Balance Plan are required to contribute at the same rates as plan members who began participating on or after September 1, 2008. The employer contribution plan rates for non-hazardous plan members were 19.18% for the year ended June 30, 2018. The required contribution rates are made up of a portion that is attributed to the insurance fund and a portion attributed to the pension fund. For non-hazardous contributions, 14.48% is the rate for the pension fund and 4.70% is the rate for the insurance fund. The pension contributions for the fiscal year ended June 30, 2018 were \$312,705. The insurance contributions for the fiscal year ended June 30, 2018 were \$101,499. The actuarially determined contribution requirements of plan members and the District are established and may be amended by the KRS Board of Trustees.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS - CONTINUED

County Employees Retirement System Pension Fund

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$4,910,398 for its proportionate share of the net pension liability. The total pension liability was rolled-forward from the actuarial valuation date of June 30, 2016 to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on a projection of the District's share of contributions to the pension plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .083891% for non-hazardous employees.

As a result of its requirement to contribute to the CERS pension fund, the District recognized pension expense of \$978,952 for the year ended June 30, 2018. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Net differences between projected and actual earnings on pension plan investments	\$ 5,058	\$ 1,032	\$ 103,529	\$ 21,118
Differences between expected and actual experience	323,011	65,887	272,565	55,598
Changes of assumptions	752,589	153,512	0	0
Change in proportion and differences between employer contributions and proportionate share of plan contributions	179,831	36,681	82	16
District contributions subsequent to the measurement date	259,726	52,979	0	0
Total	<u>\$ 1,520,215</u>	<u>\$ 310,091</u>	<u>\$ 376,176</u>	<u>\$ 76,732</u>

Deferred outflows of resources in governmental activities of \$259,726 and in business-type activities of \$52,979 related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Governmental</u>	<u>Business-Type</u>
<u>June 30</u>	<u>Activities</u>	<u>Activities</u>
2019	\$ 401,428	\$ 81,882
2020	368,412	75,148
2021	166,845	34,032
2022	(52,372)	(10,682)

The net pension liability as of June 30, 2018 is based on the June 30, 2016 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period of 3.50 years.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Pension Fund (Continued)

Actuarial Assumptions - The total pension liability, net pension liability, and sensitivity information for the actuarial valuation as of June 30, 2017 was based on an actuarial valuation date of June 30, 2016. The total pension liability was rolled forward from the valuation date (June 30, 2016) to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2008 to June 30, 2013. Subsequent to the actuarial valuation date (June 30, 2016) but prior to the measurement date, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

Inflation - 2.30%
Salary increases - 3.05% average, including inflation
Investment rate of return – 6.25% net of pension plan investment expense, including inflation
Payroll growth rate – 2.00%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected rate of return on plan assets was determined by using a building block method in which best estimate ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.0%	1.88%
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 6.25%. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. Once the unfunded actuarial accrued liability is fully amortized, the employer will only contribute the normal cost rate and the administrative expense rate on the close payroll for existing members.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Pension Fund (Continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<u>1% Decrease</u> <u>(5.25%)</u>	<u>Current Discount</u> <u>(6.25%)</u>	<u>1% Increase</u> <u>(7.25%)</u>
District's proportionate share of net pension liability	\$6,193,073	\$4,910,398	\$3,837,450

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

Payables to the pension plan – At June 30, 2018, the financial statements include \$0 in payables to CERS for the pension and insurance funds.

County Employees Retirement System Insurance Fund (OPEB)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2018, the District reported a liability of \$1,686,496 for its proportionate share of the net OPEB liability of non-hazardous employees. The total OPEB liability was rolled-forward from the actuarial valuation date of June 30, 2016 to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on a projection of the District's share of contributions to the OPEB plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .083891% for non-hazardous employees.

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

As a result of its requirement to contribute to the CERS insurance fund, the District recognized OPEB expense of \$181,601 for the year ended June 30, 2018. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Net differences between projected and actual earnings on OPEB plan investments	\$ 0	\$ 0	\$ 66,200	\$ 13,503
Differences between expected and actual experience	0	0	3,890	794
Changes of assumptions	304,799	62,172	0	0
Change in proportion and differences between employer contributions and proportionate share of plan contributions	0	0	3,250	662
District contributions subsequent to the measurement date	84,303	17,196	0	0
Total	<u>\$ 389,102</u>	<u>\$ 79,368</u>	<u>\$ 73,340</u>	<u>\$ 14,959</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB) (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued) - Deferred outflows of resources in governmental activities of \$84,303 and in business-type activities of \$17,196 related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Governmental Activities	Business-Type Activities
2019	\$ 39,825	\$ 8,123
2020	39,825	8,123
2021	39,825	8,123
2022	39,825	8,123
2023	56,374	11,500
Thereafter	15,785	3,221

The net OPEB liability as of June 30, 2018 is based on the June 30, 2016 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period of 6.28 years.

Actuarial Assumptions - The total OPEB liability, net OPEB liability, and sensitivity information for the actuarial valuation as of June 30, 2017 was based on an actuarial valuation date of June 30, 2016. The total OPEB liability was rolled forward from the valuation date (June 30, 2016) to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2008 to June 30, 2013. Subsequent to the actuarial valuation date (June 30, 2016) but prior to the measurement date, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

Inflation - 2.30%

Salary increases - 3.05% average, including inflation

Investment rate of return – 6.25% net of OPEB plan investment expense, including inflation

Payroll growth rate – 2.00%

Healthcare trend rates – Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Pre-65). Initial trend rate starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years (Post-65).

Single discount rate – 5.84% for non-hazardous

Municipal bond rate – 3.56%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB) (Continued)

Actuarial Assumptions (Continued) - The long-term expected rate of return on plan assets was determined by using a building block method in which best estimate ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.0%	1.88%
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over the remaining 26 year amortization period of the unfunded actuarial accrued liability. The cost associated with the implicit employer subsidy was not included in the calculation of the KRS's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments from the retirement system, as a result, the Municipal Bond Index Rate from the prior measurement date to the measurement date, so as required under GASB 75, the single equivalent interest rate at the measurement date of 5.84% for non-hazardous was calculated using the Municipal Bond Index Rate as of the measurement date of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 75.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate - The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 5.84%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	<u>1% Decrease (4.84%)</u>	<u>Current Discount (5.84%)</u>	<u>1% Increase (6.84%)</u>
District's proportionate share of net OPEB liability	\$2,145,973	\$1,686,496	\$1,304,139

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB) (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rate - The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$1,293,629	\$1,686,496	\$2,197,200

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

Payables to the OPEB plan – At June 30, 2018, the financial statements include \$0 in payables to CERS for the pension and insurance funds.

Teachers' Retirement System of the State of Kentucky General Information about the Pension Plan

Plan Description – Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information/>.

Benefits Provided - For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2) Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Teachers' Retirement System of the State of Kentucky General Information about the Pension Plan (Continued)

Benefits Provided (Continued) - Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan Description - In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Funding Policy - In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions, three quarters percent (.75%) from Commonwealth appropriation and three percent (3%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District did not report a liability for its proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount of the Commonwealth's proportionate share of the net pension liability associated with the District was \$46,984,783.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The total pension liability was rolled-forward from the actuarial valuation date of June 30, 2016 to the plan's fiscal year ended June 30, 2017, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the Commonwealth's proportion of the total liability of TRS that is related to the District was .1741%.

For the year ended June 30, 2018, the District recognized pension expense of \$1,669,342 and revenue of \$1,669,342 for support provided by the Commonwealth.

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of pension plan investment expense, Including inflation
Projected salary increases	3.50-7.30%, including inflation
Inflation rate	3.00%
Municipal Bond Index Rate	3.56%
Single Equivalent Interest Rate	4.49%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward one year for females and two years for males. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the TRS Board on September 19, 2016. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	42.0%	4.4%
International Equity	20.0%	5.3%
Fixed Income	16.0%	1.5%
Additional Categories	9.0%	3.6%
Real Estate	5.0%	4.4%
Alternatives	6.0%	6.7%
Cash	2.0%	.8%
Total	<u>100.0%</u>	

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Discount Rate - The discount rate used to measure the total pension liability was 4.49%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at statutorily required rates, and the additional amount appropriated for fiscal year 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2037 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2037. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

The following table presents the net pension liability of the District, calculated using the discount rate of 4.49%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.49%) or 1-percentage-point higher (5.49%) than the current rate:

	<u>1% Decrease (3.49%)</u>	<u>Current Discount Rate (4.49%)</u>	<u>1% Increase (5.49%)</u>
District's proportionate share of net pension liability	\$0	\$0	\$0

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report.

Teachers' Retirement System of the State of Kentucky General Information about the OPEB Plan

Plan Description – Teaching-certified employees of the District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information/>.

Medical Insurance Plan

Plan Description - In addition to the OPEB benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits Provided - To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Medical Insurance Plan (Continued)

Contributions - In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions, three quarters percent (.75%) from Commonwealth appropriation and three percent (3%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District reported a liability of \$3,288,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .092218%.

The amount recognized by the District as its proportionate share of the OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 3,288,000
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>2,686,000</u>
Total	<u><u>\$ 5,974,000</u></u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$389,000 and revenue of \$129,060 for support provided by the Commonwealth. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Differences between expected and actual experience	\$ 0	\$ 0	\$ 42,000	\$ 0
District contributions subsequent to the measurement date	<u>159,883</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$ 159,883</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 42,000</u></u>	<u><u>\$ 0</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$159,883 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ (10,500)	\$ 0
2020	(10,500)	0
2021	(10,500)	0
2022	(10,500)	0

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

Actuarial Assumptions - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, Including inflation
Projected salary increases	3.50-7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00% net of OPEB plan investment expense, including price inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The remaining actuarial assumptions (e.g. initial per capita costs, health care trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation. The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	60.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	4.5%	4.0%
Private Equity	5.5%	6.6%
High Yield	10.0%	4.3%
Other Additional Categories	10.0%	3.3%
Cash (LIBOR)	1.0%	.5%
Total	<u>100.0%</u>	

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Discount Rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of net pension liability	\$3,806,093	\$3,288,000	\$2,820,787

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net pension liability	\$2,737,082	\$3,288,000	\$3,924,264

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Plan

Plan Description – TRS administers the life insurance plan as provided by KRS 161.655 to eligible active and retired members. The TRS Life Insurance Benefit Plan is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits Provided - TRS provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 payable for its active contributing members. The life insurance benefit is payable upon death of the member to the member's estate or to a party designated by the member.

Contributions - In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 0
Commonwealth's proportionate share of the net OPEB liability associated with the District	36,000
Total	<u>\$ 36,000</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,580 and revenue of \$1,580 for support provided by the Commonwealth.

Actuarial Assumptions - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50-7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.56%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including price inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation. The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE G – EMPLOYEE BENEFITS – CONTINUED

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Large Cap Equity	38.4%	4.3%
U.S. Small Cap Equity	2.6%	4.8%
Developed Int'l Equity	15.8%	5.2%
Emerging Markets Equity	4.2%	5.4%
Fixed Income – Inv Grade	16.0%	1.2%
Real Estate	6.0%	4.0%
Private Equity	7.0%	6.6%
High Yield	2.0%	4.3%
Other Additional Categories	7.0%	3.3%
Cash (LIBOR)	<u>1.0%</u>	.5%
Total	<u><u>100.0%</u></u>	

Discount Rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of net pension liability	\$0	\$0	\$0

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

NOTE H – INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE I – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2018:

Contributions to Kentucky Teachers' Retirement System	\$ 1,799,982
Technology	48,415
SFCC Debt Service	594,165
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>1,510,514</u>
Total	<u>\$ 3,953,076</u>

These payments are recorded in the General and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to functions as follows:

Instruction	\$ 2,060,257
Support services:	
Student	141,132
Instructional staff	142,418
District administration	105,963
School administration	327,937
Business	115,911
Plant operations and maintenance	133,039
Student transportation	258,302
Debt service	594,165
Food service	60,118
Day care service	<u>13,834</u>
Total	<u>\$ 3,953,076</u>

NOTE J – COMMITMENTS AND CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE K – COBRA

Under the *Consolidated Omnibus Reconciliation Act* ("COBRA"), employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

NOTE L – NET POSITION DEFICIT BALANCE:

The Food Service Fund has a deficit balance of \$(396,800). Excluding the effect on net position of GASB 68 related pension accounts of \$(509,670) and of GASB 75 related OPEB accounts of \$(188,450), food service has a net position of \$301,320. The Day Care Service Fund has a deficit balance of \$(208,731). Excluding the effect on net position of GASB 68 related pension accounts of \$(88,891) and of GASB 75 related OPEB accounts of \$(32,867), day care service still has a deficit net position of \$(86,973). The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE M – TRANSFER OF FUNDS

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching Operating	General Building	Special Revenue Debt Service	Technology Match Debt Service	\$ 22,126 561,561

NOTE N – INTERFUND RECEIVABLES AND PAYABLES

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, food service funds, and private purpose trust funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly; however, certain balances remained at June 30, 2018, which consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Special Revenue Fund	\$ 84,877	\$ 0
Agency Fund	2,543	0
Special Revenue Fund:		
General Fund	0	84,877
Agency Fund:		
General Fund	0	2,543
Food Service Fund:		
Day Care Fund	154,587	0
Day Care Fund		
Food Service Fund	0	154,587

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2018

NOTE O – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BEGINNING NET POSITION

In June 2015, the *Governmental Accounting Standards Board* (GASB) issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which replaces GASB Statement No. 45. The new standard addresses several issues regarding postemployment benefits other than pensions, including the liabilities reported pertaining to unfunded portions and the disclosure requirements of those plans. The standard is effective for the District for the fiscal year beginning July 1, 2017. The new standard requires the District to report its proportionate share of the total net other postemployment benefit (OPEB) liability which consists of the insurance portion of the County Employee Retirement System Plan as a liability on the statement of net position and to recognize the appropriate expense on the statement of revenues, expenses, and changes in net position. The standard also requires the deferral of changes in the net OPEB liability and amortization of those changes over set periods.

The District's proportionate share of the net OPEB liability and deferred outflows related to CERS at July 1, 2017 was \$1,322,837 and \$96,553, respectively. The District's proportionate share of the net OPEB liability and deferred outflows related to TRS at July 1, 2017 was \$3,255,000 and \$157,996, respectively. Beginning net position at July 1, 2017 has been adjusted to reflect this.

	Governmental Activities	Food Service Fund	Day Care Fund
Net position July 1, 2017, as previously stated	\$ 9,420,341	\$ (36,193)	\$ (104,701)
Proportionate share of net OPEB liabilities – CERS	(1,138,817)	(154,865)	(29,155)
Proportionate share of net OPEB liabilities – TRS	(3,255,000)	0	0
Deferred outflows – CERS contributions made after the measurement date	83,121	11,304	2,128
Deferred outflows – TRS contributions made after the measurement date	157,996	0	0
Total adjustment to beginning net position	(4,152,700)	(143,561)	(27,027)
Net position July 1, 2017, as Restated	<u>\$ 5,267,641</u>	<u>\$ (179,754)</u>	<u>\$ (131,728)</u>

The net position at June 30, 2016 and related deferred outflows and inflows could not be determined in a practical manner. Therefore, net position at June 30, 2016 has not been restated and is presented based on previous guidance under GASB Statement No. 45.

REQUIRED SUPPLEMENTARY INFORMATION

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 2,290,000	\$ 2,290,000	\$ 3,060,395	\$ 770,395
Motor Vehicle	625,000	625,000	768,794	143,794
Utilities	500,000	500,000	644,980	144,980
In Lieu of	1,000,000	1,000,000	1,133,917	133,917
Tuition	560	14,928	17,481	2,553
Earnings on Investments	4,000	4,000	32,287	28,287
Other local revenues	0	0	203,927	203,927
Intergovernmental - State	3,084,265	3,100,091	6,303,707	3,203,616
Intergovernmental - indirect federal	10,000	10,000	30,418	20,418
TOTAL REVENUES	<u>7,513,825</u>	<u>7,544,019</u>	<u>12,195,906</u>	<u>4,651,887</u>
EXPENDITURES:				
Current:				
Instruction	4,080,581	4,145,424	6,418,190	(2,272,766)
Support Services:				
Student	409,675	409,675	535,725	(126,050)
Instructional Staff	569,721	569,721	611,207	(41,486)
District Administration	932,410	932,410	682,639	249,771
School Administration	811,950	811,950	1,139,814	(327,864)
Business	240,395	240,395	320,083	(79,688)
Plant operations and maintenance	2,950,387	2,876,797	1,240,274	1,636,523
Student transportation	1,192,900	1,192,900	1,249,431	(56,531)
Contingency	418,450	418,450	0	418,450
TOTAL EXPENDITURES	<u>11,606,469</u>	<u>11,597,722</u>	<u>12,197,363</u>	<u>(599,641)</u>
Excess (deficit) of revenues over expenditures	<u>(4,092,644)</u>	<u>(4,053,703)</u>	<u>(1,457)</u>	<u>4,052,246</u>
OTHER FINANCING SOURCES (USES):				
Sale or compensation for loss of assets	0	0	43,117	43,117
Operating transfers out	(22,191)	(22,191)	(22,126)	65
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,191)</u>	<u>(22,191)</u>	<u>20,991</u>	<u>43,182</u>
Net Change in Fund Balance	(4,114,835)	(4,075,894)	19,534	4,095,428
Fund Balance, July 1, 2017	<u>4,114,835</u>	<u>4,075,894</u>	<u>4,075,894</u>	<u>0</u>
Fund Balance, June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,095,428</u>	<u>\$ 4,095,428</u>

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$3,284,959 from the state are included in both revenues and expenditures in the actual column;
however, this amount was not required to be included in the budget.

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Earnings on Investments	\$ 0	\$ 0	\$ 397	\$ 397
Other local revenues	22,982	59,274	74,203	14,929
Intergovernmental - State	839,819	723,421	719,843	(3,578)
Intergovernmental - Indirect federal	656,190	1,881,037	1,275,089	(605,948)
TOTAL REVENUES	<u>1,518,991</u>	<u>2,663,732</u>	<u>2,069,532</u>	<u>(594,200)</u>
EXPENDITURES:				
Current:				
Instruction	1,329,928	2,452,327	1,864,102	588,225
Support Services:				
Student transportation	134,732	157,009	151,034	5,975
Community service activities	76,522	76,522	76,522	0
TOTAL EXPENDITURES	<u>1,541,182</u>	<u>2,685,858</u>	<u>2,091,658</u>	<u>594,200</u>
Excess (deficit) of revenues over expenditures	<u>(22,191)</u>	<u>(22,126)</u>	<u>(22,126)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	22,191	22,126	22,126	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>22,191</u>	<u>22,126</u>	<u>22,126</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance, July 1, 2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) PENSION FUND
LAST FOUR FISCAL YEARS***

	2018	2017	2016	2015
District's proportion of the net pension liability	0.083891%	0.077957%	0.077963%	0.071141%
District's proportionate share of the net pension liability	\$ 4,910,398	\$ 3,838,299	\$ 3,352,046	\$ 2,308,070
District's covered payroll	\$ 2,044,242	\$ 1,893,178	\$ 1,749,365	\$ 1,628,396
District's proportionate share of the net pension liability as a percentage of its covered payroll	240.21%	202.74%	191.62%	141.74%
Plan fiduciary net position as a percentage of the total pension liability	53.32%	55.50%	59.97%	66.80%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

Notes to Schedule

The total pension liability and net pension liability as of June 30, 2018, is based on the June 30, 2016 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	June 30, 2016
Experience study:	July 1, 2008 - June 30, 2013
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Remaining amortization period:	26 years, closed
Asset valuation method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized each year
Inflation:	2.30%
Payroll growth:	2.00%
Salary increase:	3.05%, average
Investment rate of return:	6.25%, net of pension plan investment expense, including inflation
Mortality:	For active members: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). For disabled members: RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years).
Change of benefit terms:	None
Change of assumptions:	The investment rate of return was decreased from 7.50% to 6.25%. The price inflation assumption was decreased from 3.25% to 2.30%. The payroll growth rate assumption was decreased from 4.00% to 2.00%. The salary increase assumption decreased from 4.00% to 3.05%, average. The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

NOTE: This schedule is based on the last measurement date of the net pension liability.
See Notes to Financial Statements

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) PENSION FUND
LAST FIVE FISCAL YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 312,705	\$ 284,760	\$ 235,439	\$ 223,898	\$ 223,742
Contributions in relation to the contractually required contribution	<u>312,705</u>	<u>284,760</u>	<u>235,439</u>	<u>223,898</u>	<u>223,742</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 2,163,889	\$ 2,044,242	\$ 1,893,178	\$ 1,749,365	\$ 1,628,396
Contributions as a percentage of covered payroll	14.45%	13.93%	12.44%	12.80%	13.74%

* The amounts presented for each fiscal year were determined as of June 30. Until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) INSURANCE FUND
FISCAL YEAR ENDED JUNE 30, 2018***

	2018
District's proportion of the net OPEB liability	0.083891%
District's proportionate share of the net OPEB liability	\$ 1,686,496
District's covered payroll	\$ 2,044,242
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.50%
Plan fiduciary net position as a percentage of the total OPEB liability	66.80%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

Notes to Schedule

The total OPEB liability and net OPEB liability as of June 30, 2018, is based on the June 30, 2016 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2017 using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	June 30, 2016
Experience study:	July 1, 2008 - June 30, 2013
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Remaining amortization period:	26 years, closed
Asset valuation method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized each year
Inflation:	2.30%
Payroll growth:	2.00%
Salary increase:	3.05%, average
Investment rate of return:	6.25%, net of OPEB plan investment expense, including inflation
Mortality:	For active members: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). For disabled members: RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years).
Healthcare trend rates:	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Pre-65). Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years (Post-65).
Change of benefit terms:	None
Change of assumptions:	The investment rate of return was decreased from 7.50% to 6.25%. The price inflation assumption was decreased from 3.25% to 2.30%. The payroll growth rate assumption was decreased from 4.00% to 2.00%. The salary increase assumption decreased from 4.00% to 3.05%, average. The single discount rate for non-hazardous changed from 6.89% to 5.84%. The municipal bond rate increased from 2.92% to 3.56%. Healthcare trend rates were changed as noted above. The assumed rates of retirement, withdrawal, disability, and medical cost inflation were updated to more accurately reflect experience. more accurately reflect experience.

NOTE: This schedule is based on the last measurement date of the net OPEB liability.
See Notes to Financial Statements

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) INSURANCE FUND
LAST TWO FISCAL YEARS***

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 101,499	\$ 96,553
Contributions in relation to the contractually required contribution	<u>101,499</u>	<u>96,553</u>
Contribution deficiency (excess)	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
District's covered payroll	\$ 2,163,889	\$ 2,044,242
Contributions as a percentage of covered payroll	4.69%	4.72%

* The amounts presented for each fiscal year were determined as of June 30. Until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end. District contributions do not include the expected implicit subsidy used in calculating the net OPEB liability.

See Notes to Financial Statements

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) PENSION FUND
LAST FOUR FISCAL YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0%	0%	0%	0%
District's proportionate share of the net pension liability	\$ 0	\$ 0	\$ 0	\$ 0
Commonwealth's proportion of the net pension liability associated with the District	0.174100%	0.186400%	0.185500%	0.182100%
Commonwealth's proportionate share of the net pension liability associated with the District	\$ 46,984,783	\$ 54,985,251	\$ 43,157,334	\$ 37,415,517
District's covered payroll	\$ 5,651,737	\$ 6,015,123	\$ 5,839,750	\$ 5,701,147
Commonwealth's proportionate share of the net pension liability as a percentage of District's covered payroll	831.33%	914.12%	739.03%	656.28%
Plan fiduciary net position as a percentage of the total pension liability	39.83%	35.22%	42.49%	45.59%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

The actuarially determined contribution rates in the schedule of district contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Valuation date:	June 30, 2016
Experience study:	July 1, 2010 - June 30, 2015
Actuarial cost method:	Entry age
Amortization method:	Level percentage of payroll, open
Remaining amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation:	3.00%
Salary increase:	3.5 - 7.3%, including inflation
Investment rate of return:	7.5%, net of pension plan investment expense, including inflation
Mortality:	RP-2000 Combined Mortality Table projected with Scale BB to 2025 (set forward two years for males and one year for females).
Municipal Bond Index Rate	3.56%
Single Equivalent Interest Rate	4.49%
Change of benefit terms:	None
Change of assumptions:	In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016.

See Notes to Financial Statements

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) PENSION FUND
LAST FIVE FISCAL YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,756,963	\$ 973,322	\$ 974,342	\$ 953,302	\$ 765,256
District's contributions in relation to the contractually required contribution - federal programs	87,621	68,590	81,791	71,595	65,870
Commonwealth's contributions in relation to the contractually required contribution	<u>1,669,342</u>	<u>904,732</u>	<u>892,551</u>	<u>881,707</u>	<u>699,386</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 5,873,487	\$ 5,651,737	\$ 6,015,123	\$ 5,839,750	\$ 5,701,147
Contributions as a percentage of District's covered payroll	29.91%	17.22%	16.20%	16.32%	13.42%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) MEDICAL INSURANCE PLAN
FISCAL YEAR ENDED JUNE 30, 2018*

	2018
District's proportion of the collective net OPEB liability	0.092218%
District's proportionate share of the collective net OPEB liability	\$ 3,288,000
Commonwealth's proportion of the collective net OPEB liability associated with the District	0.075329%
Commonwealth's proportionate share of the collective net OPEB liability associated with the District	\$ 2,686,000
District's covered payroll	\$ 5,651,737
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	58.18%
Commonwealth's proportionate share of the collective net OPEB liability as a percentage of the District's covered payroll	47.53%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of District Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ended June 30, 2017:

Valuation date:	June 30, 2016
Experience study:	July 1, 2010 - June 30, 2015
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Amortization period:	30 years, open
Asset valuation method:	5-year smoothed value
Investment rate of return:	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases:	3.50 - 7.20%, including wage inflation
Inflation rate:	3.00%
Real wage growth:	0.50%
Wage inflation:	3.50%
Municipal Bond Index Rate:	3.56%
Discount rate	8.00%
Single Equivalent Interest Rate:	8.00%, net of OPEB plan investment expense, including price inflation
Mortality:	Based on the RP-2000 Combined Mortality Table projected with Scale BB to 2025 (set forward two years for males and one year for females) for the period after service retirement and for dependent beneficiaries. Based on the RP-2000 Disabled Mortality Table set forward two years for males and seven years for females used for the period after disability retirement.
Health care cost trends:	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).
Change of benefit terms:	With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.
Change of assumptions:	None

See Notes to Financial Statements

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) MEDICAL INSURANCE PLAN
FISCAL YEAR ENDED JUNE 30, 2018***

	2018
Contractually required contribution	\$ 287,056
District's contributions in relation to the contractually required contribution -	157,996
Commonwealth's contributions in relation to the contractually required contribution	<u>129,060</u>
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered payroll	\$ 5,873,487
Contributions as a percentage of District's covered payroll	4.89%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) LIFE INSURANCE PLAN
FISCAL YEAR ENDED JUNE 30, 2018*

	<u>2018</u>
District's proportion of the collective net OPEB liability	0%
District's proportionate share of the collective net OPEB liability	\$ 0
Commonwealth's proportion of the collective net OPEB liability associated with the District	0.163745%
Commonwealth's proportionate share of the collective net OPEB liability associated with the District	\$ 36,000
District's covered payroll	\$ 5,651,737
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.00%
Commonwealth's proportionate share of the collective net OPEB liability as a percentage of the District's covered payroll	0.64%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

The actuarially determined contribution rates in the schedule of district contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Valuation date:	June 30, 2016
Experience study:	July 1, 2010 - June 30, 2015
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Amortization period:	30 years, open
Asset valuation method:	Market value
Annual money weighted rate of return	1.02%, net of investment expense
Projected salary increases:	3.50 - 7.20%, including wage inflation
Inflation rate:	3.00%
Real wage growth:	0.50%
Wage inflation:	3.50%
Discount rate	7.50%
Change of benefit terms:	None
Change of assumptions:	None

See Notes to Financial Statements

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) LIFE INSURANCE PLAN
FISCAL YEAR ENDED JUNE 30, 2018***

	<u>2018</u>
Contractually required contribution	\$ 1,580
District's contributions in relation to the contractually required contribution -	0
Commonwealth's contributions in relation to the contractually required contribution	<u>1,580</u>
Contribution deficiency (excess)	<u><u>\$ 0</u></u>
District's covered payroll	\$ 5,873,487
Contributions as a percentage of District's covered payroll	0.03%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	\$ 221,037	\$ 105,358	\$ 122,244	\$ 527	\$ 449,166
TOTAL ASSETS AND RESOURCES	<u>\$ 221,037</u>	<u>\$ 105,358</u>	<u>\$ 122,244</u>	<u>\$ 527</u>	<u>\$ 449,166</u>
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EQUITY AND FUND BALANCES:					
Restricted:					
KSFCC escrow	209,478	0	0	0	209,478
Construction projects	0	0	122,244	0	122,244
Debt service	0	0	0	527	527
Other	11,559	105,358	0	0	116,917
TOTAL FUND BALANCES	<u>221,037</u>	<u>105,358</u>	<u>122,244</u>	<u>527</u>	<u>449,166</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 221,037</u>	<u>\$ 105,358</u>	<u>\$ 122,244</u>	<u>\$ 527</u>	<u>\$ 449,166</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 469,165	\$ 0	\$ 0	\$ 0	\$ 469,165
Earnings on Investments	0	0	1,093	513	1,606
Intergovernmental - State	0	105,358	0	594,165	699,523
Intergovernmental - Direct federal	103,955	0	0	0	103,955
TOTAL REVENUES	<u>573,120</u>	<u>105,358</u>	<u>1,093</u>	<u>594,678</u>	<u>1,274,249</u>
EXPENDITURES:					
Debt service	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,155,799</u>	<u>1,155,799</u>
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,155,799</u>	<u>1,155,799</u>
Excess (deficit) of revenues over expenditures	<u>573,120</u>	<u>105,358</u>	<u>1,093</u>	<u>(561,121)</u>	<u>118,450</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	0	0	0	561,561	561,561
Operating transfers out	<u>(561,561)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(561,561)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(561,561)</u>	<u>0</u>	<u>0</u>	<u>561,561</u>	<u>0</u>
Net Change in Fund Balance	11,559	105,358	1,093	440	118,450
Fund Balance, July 1, 2017	<u>209,478</u>	<u>0</u>	<u>121,151</u>	<u>87</u>	<u>330,716</u>
Fund Balance, June 30, 2018	<u>\$ 221,037</u>	<u>\$ 105,358</u>	<u>\$ 122,244</u>	<u>\$ 527</u>	<u>\$ 449,166</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
DEBT SERVICE FUNDS
For the Year Ended June 30, 2018

	2009R BONDS FUND	2012R BONDS FUND	2012Q BONDS FUND	2014Q BONDS FUND	Totals Debt service Fund
REVENUES:					
From local sources:					
Earnings on investments	\$ 143	\$ 304	\$ 66	\$ 0	\$ 513
Intergovernmental - State	0	462,261	96,989	34,915	594,165
TOTAL REVENUES	143	462,565	97,055	34,915	594,678
EXPENDITURES:					
Debt Service:					
Principal	125,000	635,000	127,111	30,000	917,111
Interest	7,650	104,488	111,300	15,250	238,688
TOTAL EXPENDITURES	132,650	739,488	238,411	45,250	1,155,799
Excess (deficit) of revenues over expenditures	(132,507)	(276,923)	(141,356)	(10,335)	(561,121)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	132,627	277,177	141,422	10,335	561,561
TOTAL OTHER FINANCING SOURCES (USES)	132,627	277,177	141,422	10,335	561,561
Net Change in Fund Balance	120	254	66	0	440
Fund balance July 1, 2017	23	49	15	0	87
Fund balance June 30, 2018	<u>\$ 143</u>	<u>\$ 303</u>	<u>\$ 81</u>	<u>\$ 0</u>	<u>\$ 527</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET-SCHOOL ACTIVITY FUNDS
June 30, 2018

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston Central High School	Totals (Memorandum Only)
ASSETS:					
Cash and cash equivalents	\$ 2,884	\$ 50,495	\$ 36,913	\$ 65,228	\$ 155,520
Accounts Receivable	64	48	0	169	281
TOTAL ASSETS	\$ 2,948	\$ 50,543	\$ 36,913	\$ 65,397	\$ 155,801
LIABILITIES:					
Accounts Payable	\$ 678	\$ 202	\$ 3,370	\$ 3,942	\$ 8,192
Due to Board	62	946	795	740	2,543
Due to Student Groups	2,208	49,395	32,748	60,715	145,066
TOTAL LIABILITIES	\$ 2,948	\$ 50,543	\$ 36,913	\$ 65,397	\$ 155,801
NET POSITION HELD IN TRUST	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN DUE TO STUDENT GROUPS**
SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2018

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston Central High School	Totals (Memorandum only)
REVENUES:					
From local sources:					
Earnings on Investments	\$ 39	\$ 1	\$ 282	\$ 552	\$ 874
Student activities	16,856	40,148	50,531	166,651	274,186
Total Revenues	16,895	40,149	50,813	167,203	275,060
EXPENDITURES					
Student Activities	17,396	38,538	45,861	167,999	269,794
Total expenditures	17,396	38,538	45,861	167,999	269,794
Net Change in Due to Student Groups	(501)	1,611	4,952	(796)	5,266
Due to student groups, July 1, 2017	2,709	47,784	27,796	61,511	139,800
Due to student groups, June 30, 2018	<u>\$ 2,208</u>	<u>\$ 49,395</u>	<u>\$ 32,748</u>	<u>\$ 60,715</u>	<u>\$ 145,066</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO STUDENT GROUPS
LIVINGSTON CENTRAL HIGH SCHOOL
For the Year Ended June 30, 2018

	Cash Balance July 1, 2017	Cash Receipts	Cash Disbursements
Volleyball	\$ 148.07	\$ 4,617.20	\$ 4,659.70
Class A Volleyball	0.00	789.52	789.52
Cardinal Café	917.95	800.00	0.00
General Fund	1,309.21	2,460.19	1,828.39
PP School Store	3.58	0.00	3.58
Student Emergency	546.96	30.00	115.14
Textbook	13,182.12	0.00	10,846.63
Library Club	58.00	58.01	0.00
Student Incentives	81.90	0.00	81.90
Donations	575.33	8,680.00	7,858.36
Staff Account	40.23	347.16	92.22
Cell phones & hats	223.71	10.00	0.00
Art Club	879.53	150.00	638.58
Beta Club	2,960.10	475.00	417.12
FBLA	3,815.05	12,957.20	13,115.74
FCA	1,161.21	760.00	667.75
FFA	4,625.19	24,935.98	27,184.50
Science Club	1,589.17	1,230.00	1,661.83
TLC	2,986.62	485.10	465.80
Spirit Club	821.77	610.00	1,036.00
Student Council	617.89	745.00	349.70
Skills USA	75.57	0.00	0.00
Spanish Club	1,200.43	160.20	375.98
Choir & Music	251.06	50.00	260.63
Drama	116.80	0.00	0.00
Photography Club	1,611.40	175.00	295.98
STLP	842.10	0.00	0.00
Diesel Mechanics	7.91	0.00	7.91
Family & Consumer Science	1,131.99	0.00	0.00
Signs	1,603.89	235.00	53.99
Math	716.44	3,083.00	3,195.76
Technology Education	1,936.14	551.45	1,390.60
LCHS Sportsman Club	598.30	0.00	0.00
Chess Club	70.00	0.00	0.00
Athletics	1,176.83	22,314.38	22,654.41
Golf	526.89	5,473.95	5,241.60
Cheerleaders	154.10	25,745.74	14,720.52
Bass Fishing	0.00	945.00	225.00
Special Olympics	979.22	1,887.61	1,785.99
Yearbook	7,969.83	15,149.00	12,262.71
Concessions	3,533.58	10,249.51	13,783.09
Baseball	0.00	10,500.00	10,104.88
Archery	2,607.11	766.08	928.34
Track & Field	179.91	0.00	90.00
Boys Basketball	1.87	1,458.00	989.75
Boys Basketball 2	26.95	0.00	26.95
Cross Country	404.47	1,825.50	1,758.91
Girls Basketball	628.12	0.00	0.00
Class of 2017	13.58	0.00	13.58
Class of 2018	3,008.51	785.00	3,591.87
Class of 2019	0.00	7,348.00	5,960.94
Subtotal	<u>67,916.59</u>	<u>168,842.78</u>	<u>171,531.85</u>
Less: Interfund Transfers	0.00	1,808.59	1,808.59
Total	<u>\$ 67,916.59</u>	<u>\$ 167,034.19</u>	<u>\$ 169,723.26</u>

See independent auditor's report and accompanying notes to financial statements

	Cash Balance June 30, 2018	Accounts Receivable	Accounts Payable	Due to June 30, 2018
Volleyball	\$ 105.57	\$ 0.00	\$ 0.00	\$ 105.57
Class A Volleyball	0.00	0.00	0.00	0.00
Cardinal Café	1,717.95	0.00	0.00	1,717.95
General Fund	1,941.01	70.71	33.74	1,977.98
PP School Store	0.00	0.00	0.00	0.00
Student Emergency	461.82	0.00	0.00	461.82
Textbook	2,335.49	0.00	0.00	2,335.49
Library Club	116.01	0.00	0.00	116.01
Student Incentives	0.00	0.00	0.00	0.00
Donations	1,396.97	0.00	0.00	1,396.97
Staff Account	295.17	95.79	0.00	390.96
Cell phones & hats	233.71	0.00	0.00	233.71
Art Club	390.95	0.00	0.00	390.95
Beta Club	3,017.98	0.00	0.00	3,017.98
FBLA	3,656.51	0.00	1,629.75	2,026.76
FCA	1,253.46	0.00	0.00	1,253.46
FFA	2,376.67	0.00	1,038.00	1,338.67
Science Club	1,157.34	0.00	0.00	1,157.34
TLC	3,005.92	0.00	0.00	3,005.92
Spirit Club	395.77	0.00	0.00	395.77
Student Council	1,013.19	0.00	0.00	1,013.19
Skills USA	75.57	0.00	0.00	75.57
Spanish Club	984.65	0.00	0.00	984.65
Choir & Music	40.43	0.00	0.00	40.43
Drama	116.80	0.00	0.00	116.80
Photography Club	1,490.42	0.00	0.00	1,490.42
STLP	842.10	0.00	0.00	842.10
Diesel Mechanics	0.00	0.00	0.00	0.00
Family & Consumer Science	1,131.99	0.00	0.00	1,131.99
Signs	1,784.90	0.00	0.00	1,784.90
Math	603.68	0.00	0.00	603.68
Technology Education	1,096.99	0.00	0.00	1,096.99
LCHS Sportsman Club	598.30	0.00	0.00	598.30
Chess Club	70.00	0.00	0.00	70.00
Athletics	836.80	2.65	740.25	99.20
Golf	759.24	0.00	0.00	759.24
Cheerleaders	11,179.32	0.00	1,240.00	9,939.32
Bass Fishing	720.00	0.00	0.00	720.00
Special Olympics	1,080.84	0.00	0.00	1,080.84
Yearbook	10,856.12	0.00	0.00	10,856.12
Concessions	0.00	0.00	0.00	0.00
Baseball	395.12	0.00	0.00	395.12
Archery	2,444.85	0.00	0.00	2,444.85
Track & Field	89.91	0.00	0.00	89.91
Boys Basketball	470.12	0.00	0.00	470.12
Boys Basketball 2	0.00	0.00	0.00	0.00
Cross Country	471.06	0.00	0.00	471.06
Girls Basketball	628.12	0.00	0.00	628.12
Class of 2017	0.00	0.00	0.00	0.00
Class of 2018	201.64	0.00	0.00	201.64
Class of 2019	1,387.06	0.00	0.00	1,387.06
Subtotal	65,227.52	169.15	4,681.74	60,714.93
Less: Interfund Transfers	0.00	0.00	0.00	0.00
Total	<u>\$ 65,227.52</u>	<u>\$ 169.15</u>	<u>\$ 4,681.74</u>	<u>\$ 60,714.93</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION-ALL PRIVATE PURPOSE TRUST FUNDS
June 30, 2018

	Dallas & Emma Maxfield	Mamie T. Ferguson	J Preston Dabney	Ashley Boone
ASSETS:				
Cash and cash equivalents	\$ 64,039	\$ 14	\$ 8,202	\$ 410
TOTAL ASSETS	<u>\$ 64,039</u>	<u>\$ 14</u>	<u>\$ 8,202</u>	<u>\$ 410</u>
NET POSITION HELD IN TRUST	<u>\$ 64,039</u>	<u>\$ 14</u>	<u>\$ 8,202</u>	<u>\$ 410</u>

See independent auditor's report and accompanying notes to financial statements

<u>George & Opal Pullen</u>	<u>Robert & Margaret Shelby</u>	<u>Lillian Boswell</u>	<u>Ledbetter SBDM</u>	<u>Totals (Memorandum Only)</u>
<u>\$ 17,758</u>	<u>\$ 50,555</u>	<u>\$ 3,505</u>	<u>\$ (166)</u>	<u>\$ 144,317</u>
<u><u>\$ 17,758</u></u>	<u><u>\$ 50,555</u></u>	<u><u>\$ 3,505</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 144,317</u></u>
<u><u>\$ 17,758</u></u>	<u><u>\$ 50,555</u></u>	<u><u>\$ 3,505</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 144,317</u></u>

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION HELD IN TRUST
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2018

	Dallas & Emma Maxfield	Mamie T. Ferguson	J Preston Dabney	Ashley Boone
REVENUES:				
From local sources:				
Earnings on Investments	\$ 655	\$ 0	\$ 4	\$ 0
Total Revenues	655	0	4	0
EXPENDITURES				
Scholarships paid	1,000	0	400	0
Total expenditures	1,000	0	400	0
Change in Position Held in Trust	(345)	0	(396)	0
Net Position Held in Trust at July 1, 2017	64,384	14	8,598	410
Net Position Held in Trust at June 30, 2018	<u>\$ 64,039</u>	<u>\$ 14</u>	<u>\$ 8,202</u>	<u>\$ 410</u>

See independent auditor's report and accompanying notes to financial statements

George & Opal Pullen	Robert & Margaret Shelby	Lillian Boswell	Ledbetter SBDM	Totals (Memorandum Only)
<u>\$ 180</u>	<u>\$ 555</u>	<u>\$ 10</u>	<u>\$ 0</u>	<u>\$ 1,404</u>
<u>180</u>	<u>555</u>	<u>10</u>	<u>0</u>	<u>1,404</u>
<u>0</u>	<u>235</u>	<u>0</u>	<u>0</u>	<u>1,635</u>
<u>0</u>	<u>235</u>	<u>0</u>	<u>0</u>	<u>1,635</u>
180	320	10	0	(231)
17,578	50,235	3,495	(166)	144,548
<u><u>\$ 17,758</u></u>	<u><u>\$ 50,555</u></u>	<u><u>\$ 3,505</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 144,317</u></u>

LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Education:</u>				
Passed Through State Dept. of Education:				
Special Education Grants to States	84.027	3810002-16 & 17	\$ 0	\$ 264,378
Special Education Preschool Grants	84.173	3800002-17	0	16,509
Total Special Education Cluster			0	280,887
Title I Grants to Local Educational Agencies	84.010	3100002-16 & 17, 3100202-15 & 16	0	329,103
Supporting Effective Instruction State Grants	84.367	3230002-16 & 17	0	57,688
Rural Education	84.358	3140002-17	0	20,173
Career and Technical Education Basic Grants to States	84.048	3710002-16 & 17	0	14,368
Twenty-First Century Community Learning Centers	84.287	3400002-15 & 16	0	515,662
School Improvement Grants	84.377	3100302-16	0	57,208
TOTAL U.S. DEPARTMENT OF EDUCATION			0	1,275,089
<u>U.S. Department of Agriculture:</u>				
Received direct:				
Healthier US School Challenge: Smarter Lunchrooms	10.543	N/A	0	500
Passed through State Dept. of Education:				
National School Lunch Program - cash	10.555	7750002-17 & 18	0	493,496
National School Lunch Program - donated foods (Note B)	10.555	N/A	0	39,912
Summer Food Service Program for Children	10.559	7690024-18 & 7740023-18	0	8,570
School Breakfast Program	10.553	7760005-17 & 18	0	239,003
Total Child Nutrition Cluster			0	780,981
Child and Adult Care Food Program	10.558	7790021-17 & 18, 7800016-17 & 18	0	24,386
Total passed through State Dept. of Education			0	805,367
TOTAL U.S. DEPARTMENT OF AGRICULTURE			0	805,867
TOTAL FEDERAL ASSISTANCE			\$ 0	\$ 2,080,956

See accompanying notes to schedule
of expenditures of federal awards

LIVINGSTON COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Livingston County School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Livingston County School District, it is not intended to and does not present the financial position or changes in financial position of the Livingston County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.
- (2) The Livingston County School District did not elect to use the 10% *de minimus* indirect cost rate as allowed under the Uniform Guidance.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2018 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

NOTE D – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	\$ 1,305,507
Total federal grants from page 16	749,590
Donated commodities from page 16	39,912
Less: Medicaid funds received	<u>(14,053)</u>
Total on page 70	<u>\$ 2,080,956</u>

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

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KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

MEMBER,
American Institute
of CPA's

MEMBER,
Kentucky Society
of CPA's

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Submission Instructions*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Livingston County School District's basic financial statements, and have issued my report thereon dated November 12, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Livingston County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livingston County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Livingston County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Livingston County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract*.

I noted certain matters that I reported to management of the Livingston County School District in a separate letter dated November 12, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glan". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
November 12, 2018

KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

Report on Compliance for Each Major Federal Program

I have audited the Livingston County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Livingston County School District's major federal programs for the year ended June 30, 2018. Livingston County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Livingston County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Submission Instructions*. Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Livingston County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Livingston County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Livingston County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Livingston County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Livingston County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Livingston County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glan". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
November 12, 2018

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Livingston County School District.
2. No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Livingston County School District were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over the major federal award program were disclosed during the audit.
5. The auditor's report on compliance for the major federal award program for Livingston County School District expresses an unmodified opinion on the major federal program.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Child Nutrition Cluster:	
National School Lunch Program	10.555
School Breakfast Program	10.553
Summer Food Service Program for Children	10.559

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Livingston County School District was determined to be a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2018**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year required to be reported in this schedule.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year required to be reported in this schedule.

MANAGEMENT LETTER POINTS

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KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

MEMBER,
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of CPA's*

◆
MEMBER,
*Kentucky Society
of CPA's*

Kentucky State Committee for School District Audits
and Members of the Board of Education of
Livingston County School District
Smithland, Kentucky

I have audited the financial statements of the Livingston County School District for the year ended June 30, 2018, and have issued my report thereon dated November 12, 2018. In planning and performing my audit of the financial statements of Livingston County School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,



Benton, Kentucky
November 12, 2018

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2018

UNCORRECTED PRIOR YEAR COMMENTS

North Livingston Elementary School Activity Fund

In a random sample of cash disbursements in the prior year, we noted one disbursement for which the purchase order was dated after the invoice date. In the current year, we again noted three exceptions, as discussed in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

Livingston County Middle School Activity Fund

In a random sample of cash receipts in the prior year, we noted three multiple receipt forms and two F-SA-1 forms that were not signed by the treasurer, as well as multiple receipt forms that did not have the "student signature" section properly completed. In the current year, we noted two multiple receipt forms and two F-SA-1 forms that were not signed by the treasurer and three forms that did not have the "student signature" section properly completed, as noted in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

In a random sample of cash disbursements in the prior year, three checks were signed by only one authorized individual. In the current year, three checks were not signed by anyone. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

Livingston Central High School Activity Fund

In the prior year, we could not locate fundraiser worksheets for five fundraisers. In the current year, we again noted that fundraiser worksheets were not being used. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

In a random sample of 60 cash receipts in the prior year, we could not locate supporting documentation for 15 of them, such as multiple receipt forms or copies of checks received. In the current year, we again noted that supporting documentation could not be located for several cash receipts, as noted in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

In a random sample of 60 cash disbursements in the prior year, we noted two for which the purchase order did not list an amount that was approved and nine for which there were no supporting documentation. In the current year, we again noted some disbursements for which supporting documentation was either not located or not properly completed, as noted in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

CORRECTED PRIOR YEAR COMMENTS

District Central Office

In the prior year, we noted the sheets for some fixed asset additions were not received and entered into MUNIS on a timely basis. In the current year, the documentation examined was completed and transmitted to the central office in a timely fashion.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2018

CORRECTED PRIOR YEAR COMMENTS (Continued)

North Livingston Elementary School Activity Fund

In the prior year random sample of cash receipts, we noted four multiple receipt forms that did not have the signature of the treasurer, with two for which the listed amounts totaled \$5 more than the grand total and the amount deposited. We also noted five cash receipt tickets for which no supporting documentation was retained. We also noted three deposits in excess of \$100 each that were not made on a timely basis. In the current year, accurate supporting documentation was on file for all items tested and deposits were made on a timely basis.

In the prior year random sample of cash disbursements, we noted two purchase orders that did not have the signature of the person placing the order, and no purchase order for one disbursement. In the current year, we noted all items tested were supported by a purchase order and proper signatures were present on the forms.

In the prior year, we noted that although form F-SA-17 was used for money collected from the school store in most instances, there were no inventory control worksheets in the file. In the current year, it was noted the school did not make any sales of stocked items.

Livingston County Middle School Activity Fund

In a random sample of cash receipts in the prior year, the total of the list in the top section of one multiple receipt form did not match the total at the bottom that was the amount deposited. In the current year, the amounts matched for all forms tested. Also in the prior year, there were twenty-two cash receipts for which no supporting documentation could be located. In the current year, all receipts tested were supported by some type of documentation. In the prior year, we also noted four donation acceptance forms F-SA-18 that were not signed by the principal. In the current year, forms were properly signed by the principal. Also in the prior year, several of the receipt tickets did not have a description of what the amounts were for, therefore we could not match up some of the fundraising deposits to determine that amounts collected were reasonable with amounts expected to be collected. In the current year, better descriptions were noted on receipt tickets. We also noted six deposits that were not made on a timely basis in the prior year, while all deposits tested in the current year were made within the prescribed time frame. Also in the prior year, we noted three receipt tickets that were dated after the date of the deposit, which indicated that the receipts were not printed at the time money was received. In the current year, dates were on or before the deposit date.

In the prior year, we examined five forms for ticket sales and three were not properly completed. One had math errors in an attempt to force the tickets sold to agree with the dollar amount collected and was not signed by anyone. Another was not completed with any dollar amounts or number of tickets sold, but was signed by the ticket seller and the ticket taker. Another also had no dollar amounts or number of tickets sold, but was signed by the ticket seller, ticket taker, and the school treasurer. The gate and concessions form for that game did not list gate sales separately and the amount deposited was \$70 short of the amount apparently collected. In the current year, the tickets and dollars sold sections were properly completed and mathematically correct, and forms were signed by the ticket seller and ticket taker.

In a random sample of cash disbursements in the prior year, there were thirteen standard invoices that were not signed by both the principal and the sponsor and none of these had a purchase order included. Also, there were seven purchase orders that did not have an approval signature, another that did not list a dollar amount, and two that were not dated. In the current year, standard invoices were properly signed and purchase orders were completed with signatures, amounts, and dates, and were retained in the file. Also in the prior year, one check was written for \$300 more than the invoice. In the current year, the check amounts matched the invoice for all items tested. We noted four checks in the prior year that were voided on the computer system, but the checks were not defaced to prevent issuance. In the current year, voided checks were properly defaced. Also in the prior year, there were six disbursements for which we could not find any supporting documentation. In the current year, sufficient documentation was examined for items tested.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2018

CORRECTED PRIOR YEAR COMMENTS (Continued)

Livingston County Middle School Activity Fund (Continued)

Of the six transfers made in the prior year, none of the forms listed the dollar amount of the transfer. In the current year, transfer forms were properly completed with the amount.

Livingston Central High School Activity Fund

In the prior year, we noted two multiple receipt forms that were not signed by the person remitting money to the treasurer. In the current year, when a multiple receipt form was on file, it was signed as required.

In a random sample of cash disbursements in the prior year, we noted four that included sales tax. In the current year, none of the items tested included sales tax.

Also in the prior year, the inventory control worksheet that was tested was not correctly calculated and would have shown a shortage of \$572 if the calculations had been correct. In the current year, the worksheet that was tested was not over or short by a significant amount.

CURRENT YEAR COMMENTS

District Central Office

Fixed Assets

In our test of the existence of fixed assets, we noted several technology related items that were tagged and recorded in MUNIS as being at one location, but when we attempted to examine the assets, they were in a different location, including some that were at a different school. When assets are moved from one location to another, a sheet should be completed to turn in to the central office noting the tag number of the item and to where it is being moved so that the MUNIS list will be accurate.

Management's Response:

Technology (asset tagged) devices and their information will be reviewed for accuracy annually on the District/School Technology Asset Inventory. The District will implement use of Change of Location forms as primary method of notifying the Central Office of technology device asset status/location change.

Payroll

In our test of payroll documentation, we noted that documentation was not obtained to substantiate the amount of pay to some employees who are not under contract. These included student workers whose pay depends on certain factors, such as whether they are in high school or in college; however, no proof of their classification was retained. All documents that are needed to confirm that pay is properly calculated should be obtained.

Management's Response:

Information, as applicable, will be collected and filed at the Central Office for each employee not under contract: Job Application, Statement of Work, W-4, driver's license, college student verification each term (i.e., grades, course history, and/or transcript), college diploma, teaching certificate, other certification, etc. Classification of workers will be determined by supporting documentation and salary schedule will determine rate of pay for each non-contract personnel.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2018

CURRENT YEAR COMMENTS (Continued)

North Livingston Elementary School Activity Fund

Cash Disbursements Documentation

In a random sample of 45 disbursements, we noted three checks for which the purchase order was dated after the invoice date. According to the Redbook, always use a purchase order to initiate a purchase, including for independent contractors and reimbursements to district employees. The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. Before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. The school treasurer shall match up the purchase order, shipping document, and vendor or standard invoice and verify that all items ordered have been received, services have been satisfactorily performed, all amounts agree, and that all necessary approvals and signatures have been obtained. Any problems or discrepancies shall be resolved before a check is written.

Management's Response:

FY 18 started with a new secretary for NLES and ended with the retirement of the former principal. For FY 19, the new principal and secretary attended Redbook training on October 22, 2018 for updates and refresher. All purchases will be initiated with a PO and an original vendor invoice or a standard invoice if a vendor invoice is not available, accompanied with all appropriate documentation and signatures prior to a check being written.

South Livingston Elementary School Activity Fund

Cash Disbursements Documentation

In a random sample of 30 cash disbursements, we noted one purchase order that was not dated and another that was dated after the date the service was performed. The Redbook states that the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. Before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice.

Management's Response:

All purchase orders will be dated before being signed by the principal. All purchases have a prepared purchase order that is signed by the sponsor and principal before an order is placed and before payment is made. Both the principal and the finance secretary have reviewed these procedures.

Livingston County Middle School Activity Fund

Cash Receipts Documentation

In a random sample of 50 cash receipts, we noted two multiple receipt forms (F-SA-6), one sales from concessions/bookstore/pencil machine form (F-SA-17), and two requisition and report of ticket sales forms (F-SA-1) that were not signed by the treasurer. There were three multiple receipt forms on which the "student signature" section was not properly completed by either listing a total only or by having the same person sign each line. The Redbook states that teachers, sponsors, or students shall use the multiple receipt form F-SA-6 or pre-numbered receipts when collecting money. Students third grade and above must sign the multiple receipt form. A copy of the multiple receipt form or a copy of the pre-numbered receipt shall be retained by the teacher or sponsor and the original shall be given to the school treasurer. All Redbook forms should be signed and dated by all parties as indicated.

Management's Response:

We have put a process in place that before items are submitted, the principal will make sure all signatures are in place and all items are filled out correctly. When receiving multiple receipt forms, we will not accept the forms if the signatures appear to be written by the same person.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2018

CURRENT YEAR COMMENTS (Continued)

Livingston County Middle School Activity Fund (Continued)

Inventory Control Worksheet

When examining inventory control worksheets in the current year, we noted the only parts completed were the beginning inventory and ending inventory sections. The forms did not include items such as the general information in the top section, delivery information, or collections. Also, the ending inventory on the form did not agree with the beginning inventory on the next form. Because of this, items were not reconciled and differences were not calculated or explained. Training should be conducted with anyone who will be handling inventory so that the F-SA-5 form is properly completed, with amounts calculated to determine the reasonableness of collections.

Management's Response:

Training will be conducted with anyone who will be handling inventory so that the F-SA-5 form is properly completed, with amounts calculated to determine the reasonableness of collections. The administrative assistant has received training on this and now knows how to correctly complete the form. The principal has also received training on this process and has put a process in place to double check the form and all information to make sure it is completed properly.

Fundraiser Worksheets

In our examination of documentation for fundraisers, we noted that a form F-SA-2B was not completed for a candy sale fundraiser. The Redbook states that for fundraisers where items are sold, whether they are purchased or donated or both, require the use of the Fundraiser Worksheet, which is used to recap the profitability of a fundraiser sales cycle. The activity sponsor shall complete the Fundraiser Worksheet and forward the report to the principal for review and filing within one week of the completion of the fundraising period or event.

Management's Response:

This has been an oversight for the middle school for this past year. The correction has already been made and the form is being filled out at the completion of each fundraiser. The principal will review the worksheet for accuracy once completed.

Cash Disbursements Documentation

In a random sample of 50 cash disbursements, there were three checks that were not signed by anyone. We also noted that standard invoices are not usually dated. The Redbook states that before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. In cases where the payee does not have an invoice, a standard invoice should be used with all information completed, including the date. Checks should be signed by two authorized individuals, who should agree the check details with the supporting documentation prior to signing the check.

Management's Response:

The checks that were not signed were an oversight by the principal and the school treasurer. We will make sure that all checks have two signatures before they go out. Also, we will check to make sure that all standard invoices are completed in full, including the date.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2018

CURRENT YEAR COMMENTS (Continued)

Livingston Central High School Activity Fund

Fundraiser Documentation

We could not locate fundraiser worksheets for three fundraisers. The Redbook states that for fundraisers where items are sold, whether they are purchased or donated or both, require the use of the fundraiser worksheet (Form F-SA-2B), which is used to recap the profitability of a fundraiser sales cycle. The activity sponsor shall complete the fundraiser worksheet and forward the report to the principal for review and filing within one week of the completion of the fundraising period or event.

Management's Response:

In the future, the use of the fundraiser worksheet (Form F-SA-2B), which is used to recap the profitability of a fundraiser sales cycle, will be required. The activity sponsor shall complete the fundraiser worksheet and forward the report to the principal for review and filing within one week of the completion of the fundraising period or event.

Cash Receipts Procedures

In a random sample of 60 cash receipts, we could not locate supporting documentation for 15 of them, such as multiple receipt forms or copies of checks received. We also noted four multiple receipt forms where the students remitting the money were not signing their own names to the form. Also, nine deposits were not made timely, with the longest time from receipt to deposit being three working days. The Redbook states that teachers, sponsors, or students shall use the multiple receipt form F-SA-6 or pre-numbered receipts when collecting money. Students third grade and above must sign the multiple receipt form. A copy of the multiple receipt form or a copy of the pre-numbered receipt shall be retained by the teacher or sponsor and the original shall be given to the school treasurer. The multiple receipt form should be signed and dated by both the person remitting the money and by the school treasurer. Daily deposits should be made, with the exception of when the amount to be deposited is less than \$100.

Management's Response:

In the future, teachers, sponsors, or students shall use the multiple receipt form F-SA-6 or pre-numbered receipts when collecting money. Students shall sign the multiple receipt form. A copy of the multiple receipt form or a copy of the pre-numbered receipt shall be retained by the teacher or sponsor and the original shall be given to the school treasurer. The multiple receipt form will be signed and dated by both the person remitting the money and by the school treasurer. Daily deposits should be made, with the exception of when the amount to be deposited is less than \$100.

Cash Disbursements Documentation

In a random sample of 60 cash disbursements, we noted three for which there were no supporting documentation, eighteen payments to referees that did not include a purchase order, nine purchase orders that were dated after the invoice date, one that did not include an approved dollar amount on the purchase order, and one that was a reimbursement to an individual for a purchase, but the invoice for the item purchased was not included with the standard invoice. The Redbook states that a purchase order form F-SA-7 must always be used to initiate a purchase, including for independent contractors and reimbursements to district employees and that the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. Before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a standard invoice form F-SA-8, which must be signed by the payee.

Management's Response:

In the future, purchase order form F-SA-7 will be used to initiate a purchase and the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. Before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a standard invoice, which must be signed by the payee.